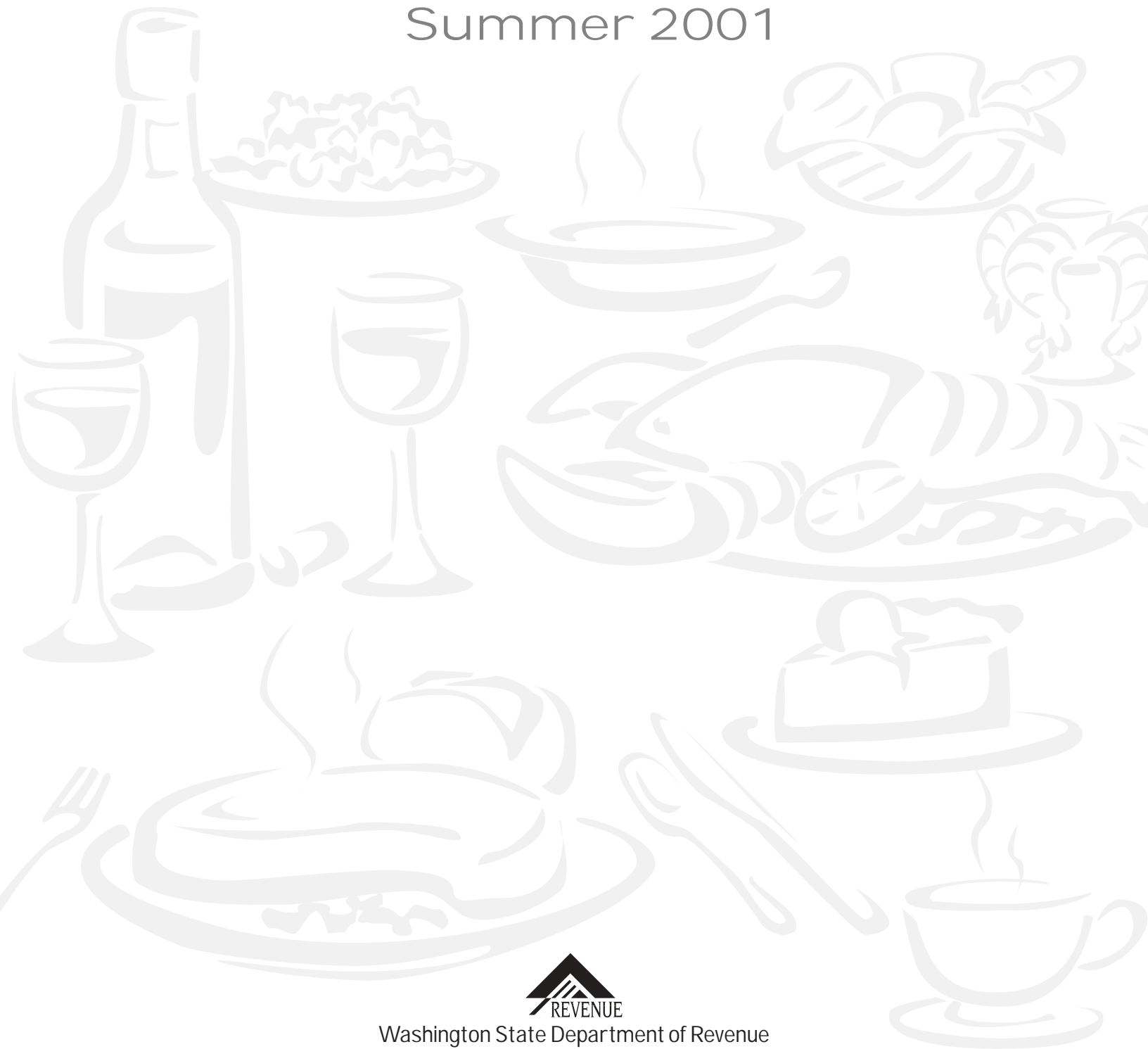


# RESTAURANT GUIDE

## TO WASHINGTON STATE EXCISE TAXES

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Summer 2001



Washington State Department of Revenue  
Taxpayer Services Division

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# INTRODUCTION

This *Restaurant Tax Guide* was created to assist persons engaged in restaurant and related businesses to better understand the Washington State taxes that apply to their business. The information contained in this guide specifically pertains to businesses such as:

Restaurants	Cafés
Caterers	Coffee shops
Drive-in restaurants	Snack bars

This information is current at the time of publication. Please remember, state tax laws change on a regular basis and this guide will not reflect any changes that may occur after printing.

This guide is intended to provide general tax information only. For more information or to get answers to specific questions, please contact the Department of Revenue using the telephone number, web site address, or mailing address listed below:

Toll-free Telephone Number: 1-800-647-7706

Web Site: <http://dor.wa.gov>

Mailing Address: Taxpayer Services Division  
Washington Department of Revenue  
PO Box 47478  
Olympia, WA 98504-7478

Thank you to the Washington Restaurant Association for their assistance in the development of this guide. Their help was instrumental in developing a resourceful guide for the restaurant industry members.

# TAXPAYER RIGHTS AND RESPONSIBILITIES

**The taxpayers of the state of Washington have the**

## ***RIGHT TO***

Simple and prompt administrative process for tax refunds and credits.

Timely, fair and equitable treatment with dignity and respect.

Accurate written information on records, reporting instructions, appeal procedures, refund claims and reasons for assessment. manner.

Public hearings on proposed rules.

Review and appeal of assessments, business registration revocation and adverse rulings.

Remedies when statutes and rules are found to be unconstitutional.

Confidentiality of financial and business information.

***RCW 82.32A.***

## ***RESPONSIBILITY TO***

Register with the Department of Revenue.

Know their tax reporting obligations and seek instructions when they are uncertain.

Keep accurate and complete business

File returns and pay taxes in a timely

Ensure the accuracy of the information entered on their tax returns.

Substantiate claims for refund.

Notify the Department of Revenue and pay taxes promptly when closing a business.

## DEFINITIONS

***Restaurant:*** The term “restaurant” for tax purposes means any establishment having special space and accommodation where food and beverages are regularly sold to the public for immediate, but not necessarily on-site, consumption. “Restaurant” includes, but is not limited to, lunch counters, diners, coffee shops, espresso shops or bars, concession stands or counters, delicatessens, and cafeterias. It also includes space and accommodations where food and beverages are sold to the public for immediate consumption that are located within hotels, motels, lodges, boarding houses, bed-and-breakfast facilities, hospitals, office buildings, and schools, colleges, or universities, if a separate charge is made for such food or beverages.

The term “restaurant” does not include grocery stores, mini-markets, and convenience stores.

***Business and Occupation (B&O) Tax:*** The B&O tax applies to the gross amount received from conducting business activities in Washington. There are different reporting classifications for various business activities such as retail sales, wholesale sales, and professional services. Each classification has its own tax rate. Persons performing more than one activity may be subject to B&O tax under more than one reporting classification.

The B&O tax is a pyramiding tax. This means each business owes B&O tax on the gross income resulting from its activities. Unlike an income tax that applies to net income, there are no deductions for labor, materials, taxes, rent, or other costs of doing business.

***Consumer:*** A consumer is any person who uses tangible personal property and receives services defined as retail sales. Such tangible personal property or services may be for personal use or conducting business activities. It is important for sellers to know who the consumer is to correctly collect sales tax. If you’re a seller, you need to know who is a consumer to know when to collect sales tax. If you’re a buyer, you need to know when to pay sales tax and if sales tax hasn’t been paid when to pay use tax or deferred sales tax.

***Gross Amount:*** The term “gross amount,” which appears at the top of column one on the Combined Excise Tax Return, is a “catch-all” term for whichever of the following terms is applicable to your business: “gross proceeds of sale,” or “gross income of the business.” The gross amount includes all consideration received without deductions for the costs of doing business or other expenses.

***Master Application:*** Persons required to register with one or more state agencies must complete a Master Application. Upon submitting a Master Application, the person receives a Unified Business Identifier (UBI) Number and a Master License to display at the business location.

## DEFINITIONS (continued)

**Resale Certificate:** A resale certificate is the buyer's written statement that the goods are purchased for resale in the normal course of business without intervening use.

**Retail Sales Tax:** A tax imposed on the buyer of goods and retail services. Sellers are responsible for collecting the tax from the consumer and remitting the tax to the Department of Revenue. The term "sales tax" refers to the combined state and local portion of the tax.

**RCW:** Revised Code of Washington; state laws.

**UBI/Department of Revenue (DOR) Registration Number:** Sometimes called a registration, "C," or resale number, the Unified Business Identifier (UBI) number is a nine-digit number used to identify registered businesses. The number is assigned when a person completes a Master Application to register with or obtain a license from state agencies. The departments of Revenue, Licensing, Employment Security, Labor and Industries, and the Corporations Division of the Secretary of State are among the state agencies participating in the UBI program. In most cases, your UBI number will also be your DOR registration number. Spouses who wish to file separately and business entities that have divisions that wish to file separately are assigned separate DOR registration numbers as needed.

**Use Tax:** Use tax is imposed on the use of goods by consumers in this state when the state's retail sales tax has not been paid. With respect to the use of goods as a consumer, either sales tax or use tax applies but not both. In this manner, use tax serves to complement the sales tax. Like the sales tax, the use tax is a combined state and local tax. Use tax rates and sales tax rates are the same.

**WAC:** Washington Administrative Code; rules that carry the weight of law and explain how the law is administered.

# BUSINESS AND OCCUPATION (B&O) TAX

The B&O tax is a gross receipts tax; it applies to the gross income of the business. This means no deduction is allowed for labor, materials, taxes or other costs of doing business.

The nature of the business activity determines appropriate B&O tax reporting. Different tax classifications with different rates apply for various business activities. Businesses performing more than one activity may be subject to tax under one or more B&O tax classifications.

The state B&O tax is reported on the Department of Revenue's Combined Excise Tax Return. A business may file on a monthly, quarterly, or annual basis, depending on the estimated yearly tax due and the type of business.

The most common B&O tax reporting classifications for restaurants and related businesses are:

- (a) **Retailing:** Sales to consumers of meals and prepared food, beverages, cigarettes and miscellaneous items of tangible personal property are subject to the B&O tax under the retailing classification.
- (b) **Wholesaling:** Sales to persons other than consumers of prepared food/meals, beverages, etc., are subject to B&O tax under the wholesaling classification. For example, a restaurant that sells meals to a nonprofit organization that resells the meals as part of a fund raising activity is making a wholesale sale. The restaurant business must obtain a properly completed resale certificate from the buyer to document the wholesale sale.
- (c) **Service:** Restaurant businesses may receive "other" income such as compensation or commissions for allowing placement of coin-operated machines at the restaurant. This includes coin operated telephones, ATM machines, cigarette machines, candy, etc. Commissions received from coin-operated machines, pull-tab, punchboard, or bingo games, are taxable under the service and other activities B&O tax classification. (See "Games and Gambling" section.)

References: RCW 82.08.0293; WAC 458-20-119, 458-20-124, 458-20-244.

**In addition to the state B&O tax, some Washington cities impose a B&O tax. The Department of Revenue does not administer the city B&O tax.**

# RETAIL SALES TAX / USE TAX

## Retail Sales Tax

Persons making retail sales in Washington must collect retail sales tax. The term “sales tax” refers to the state and local portion of the tax. Tax monies collected are considered trust funds and must be remitted to the Department of Revenue.

Washington’s sales tax is computed on the selling price. The selling price is defined to be all consideration received by a seller from a buyer and, therefore, includes such charges as mandatory gratuities, shipping, handling, and labor components of a sale.

## Use Tax

In general, use tax is due on items “used as a consumer” in the state when retail sales tax has not been paid. Either the sales or use tax applies, not both. Use tax is due when the taxable goods are first used in Washington. Generally, use tax applies when:

- ◆ Goods are purchased in a state with no sales tax or a lower sales tax rate than Washington’s
- ◆ Goods are purchased from someone who is not authorized to collect sales tax
- ◆ Goods are purchased from a mail order catalog company, or over the Internet from an out-of-state retailer
- ◆ Personal property is acquired with the purchase of real property

Although sales and use tax is very similar, there is a difference. Sales tax applies on the selling price whereas use tax applies on the value of the item. Local retail sales tax applies at the rate of the location of sale while local use tax applies at the rate of the location where the goods are used.

Use tax does not apply to goods purchased for resale.

References: RCW 82.08.020, RCW 82.12.020; WAC 458-20-178.



# RETAIL SALES TAX

## *Collecting Retail Sales Tax*

Regarding food sales, it is the intent of the law to exempt from tax certain groceries and other unprepared food products and to tax sales of meals and food prepared by the seller regardless of where it is served or delivered to the buyer.

Under Washington law, food products sold by a retail vendor that require the person handling the food products on the vendor's premises to have a food and beverage service worker's permit under RCW 69.06.010 (handling unwrapped or unpackaged food) are fully taxable. Therefore, the sale of items such as meals, prepared sandwiches, deli trays, home delivered pizzas, salads from a salad bar, or foods cooked on the seller's premises are generally subject to retail sales tax.

The following list represents a sample of taxable foods, beverages, or other items generally sold by restaurants:

- ◆ Prepared meals
- ◆ Carbonated beverages
- ◆ Prepared beverages (coffee, tea, hot chocolate, lemonade)
- ◆ Milk/fruit juices/beverages, by the glass
- ◆ Bottled water
- ◆ Beer
- ◆ Wine
- ◆ Cocktails (alcoholic beverages)
- ◆ Catering services
- ◆ Cigarettes, tobacco products
- ◆ Other items of tangible personal property, such as T-shirts

A restaurant may also sell non-taxable food items, such as unopened bottles of non-carbonated, non-alcoholic fruit juices and beverages. Retail sales tax does not apply to such beverages when sold by the bottle if the seller properly segregates taxable and nontaxable charges. See "Combination Business" section.)

For specific tax exemptions — See the "Retail Sales Tax Exemptions and Deductions" section.

References: Chapter 82.08 RCW, RCW 82.04.050; WAC 458-20-107, 458-20-110.

# RETAIL SALES TAX

## Local Sales/Use Tax

Persons making sales at retail must collect the local portion of sales tax along with the state sales tax. Local tax is reported on the Combined Excise Tax Return. Sellers must code their sales according to the location at which the retail sale is made. The sales tax coding on the tax return determines how the Department distributes the local sales and other taxes to local governments throughout the state. Because local governments depend upon these taxes to fund various local services, it's important to collect and report sales tax for the proper location.

When selling goods or merchandise, the location for local tax purposes is the retail outlet at which or from which delivery is made. Therefore, in respect to a restaurant, local tax is based on the location of the restaurant where meals are sold.

Persons performing catering services must collect local tax based on the location where the catering service is performed. If significant services are performed at both the caterer's and customer's locations, the local tax applies at the location of the customer.

**Other local taxes to consider:** The following are in addition to the state and local sales tax.

- ◆ **Regional Transit Authority (RTA):** A 0.4 percent tax that is collected in addition to state and local retail sales tax on sales made in portions of King, Pierce, and Snohomish counties.
- ◆ **King County Food & Beverage Tax:** A 0.5 percent tax that is collected in addition to the state and local retail sales tax and RTA tax on sales of meals and beverages by King County restaurants, taverns, and bars. Sales by convenience stores are exempt from this tax.

A complete list of location codes and tax rates is available in the *Tax Return Information and Local Sales and Use Tax Changes* flyer that is mailed with the Combined Excise Tax Return.

References: RCW 82.14.020, RCW 82.08.0293; WAC 458-20-124, 458-20-244, 458-20-145, 458-20-12401.

# RETAIL SALES TAX

## Exemptions and Deductions

Some specific tax exemptions and deductions apply to restaurant businesses. The following list represents some of the most common exemptions and deductions. Although exempt from sales tax, the following sales are still subject to the B&O tax under the retailing classification.

**Sales of certain foods by a bakery or deli:** The sale of certain types of prepared food items are exempt from tax even though sold by a person required to have a food handler's permit. Such foods are also exempt from the King County food and beverage tax. For the exemption to apply, the seller must be able to segregate between taxable and nontaxable sales. (See "Combination Business" section.) The following food item sales are exempt from sales tax:

- ◆ The sale of baked goods by a bakery. However, persons who sell the baked goods of others that are not packaged or sealed by the manufacturer or baker must collect sales tax.
- ◆ The sale of meats or cheeses by a meat market, delicatessen, or grocery store if the meats and cheeses are sliced and/or wrapped, in any quantity determined by the buyer.
- ◆ The sale of otherwise non-taxable food items such as bottled non-carbonated, non-alcoholic juices or beverages when sold by the bottle.

**Sales of meals - state administered nutrition program:** Prepared meals sold under a state administered nutrition program for the aged as provided for in the Older Americans Act are not subject to retail sales tax.

**Sales of meals - nonprofit organizations:** Prepared meals sold to or for senior citizens, disabled persons, or low-income persons by a not-for-profit organization organized under chapter 24.03 or 24.12 RCW are not subject to retail sales tax.

**Sales of meals to the federal government:** Prepared meals sold directly to the federal government are exempt from retail sales tax. Note: Meals sold to federal employees are taxable, even if the federal employees will be reimbursed by the federal government for the cost of the meals.

**Sales to certain foreign diplomats:** Sales of meals to certain foreign officials are exempt from retail sales tax, RTA, and King County food and beverage tax. The buyer must present an exemption card at the time of purchase. A colored stripe on the card identifies the level of exemption.

**Sales to nonprofit organizations engaging in a fund raising activity:** The nonprofit organization must provide a completed resale certificate to the restaurant. The sale is a wholesale sale and is subject to B&O tax under the wholesaling classification.

## RETAIL SALES TAX

The following sales may be deducted from the measure of the retail sales tax as well as B&O tax.

**Free meals:** Certain meals given away – See “Coupons, Promotions, Gift Certificates, Free Meals” section.

**Interstate sales:** Sales of prepared food products delivered to the customer outside the state are exempt from retail sales tax and the B&O tax.

**Bad debts or dishonored checks:** The net amount (before tax) of bad debts or dishonored (bad) checks may be deducted when actually charged off the books of account. A dishonored check is deductible to the extent it was taken as payment for goods or services on which business tax was previously reported and paid. A bad debt that was not previously reported may not be deducted. The deduction may be taken under both the retailing and retail sales tax classification. Any amounts subsequently recovered must be included in gross proceeds of sales.

References: WAC 458-20-119, 458-20-196; WAC 458-20-124; Special Notice.

# RESTAURANT AND RETAIL SALES/USE TAX

## *Purchases Subject To Sales or Use Tax*

Restaurant businesses must pay retail sales or use tax on purchases of retail services and items used and/or consumed by the business. In general, this includes items used in the restaurant business that are not for resale and do not become an ingredient of a meal.

The following list represents the most common taxable items purchased for use by restaurants. Retail sales or use tax applies to the following:

- ◆ Chairs, tables, and other furnishings
- ◆ Dishes and silverware
- ◆ Linens
- ◆ Pest control
- ◆ Tap cleaning
- ◆ Vending machines (purchases or rental of)
- ◆ Matches, pens, magazine subscriptions
- ◆ Equipment, ovens, coffee makers, etc. (By statute, machinery and equipment used by a restaurant business does not qualify for the manufacturing machinery and equipment (M&E) sales and use tax exemption.)
- ◆ Repair parts and labor

**Purchases Not Subject to Tax:** Sales or use tax does not apply to items purchased for resale to customers. A restaurant business may use a resale certificate to purchase the following items:

- ◆ Inventory/meal ingredients
- ◆ Alcohol
- ◆ Beer
- ◆ Wine
- ◆ Soft drinks
- ◆ Paper or plastic plates
- ◆ Plastic forks
- ◆ Plastic cups
- ◆ Paper napkins
- ◆ Toothpicks
- ◆ “To go” food containers

References: RCW 82.08.0293; WAC 458-20-124, 458-20-244, 458-20-102, 458-20-178.

## BANQUET ROOM RENTALS

Many restaurant businesses provide meeting or banquet rooms in conjunction with meals or drinks. The sales of meals and/or drinks are subject to retail sales tax and the retailing classification of the B&O tax. However, charges made for the use of the room are not subject to retail sales tax when the charge is stated separately from the charge for meals or drinks. Such charges are subject to B&O tax under the service and other activities classification. If a single charge is made for both room and meals/drinks, retail sales tax applies to the total amount charged. Retail sales tax applies to any amounts charged as a mandatory gratuity even if separately stated.

In all cases, hotel and motel businesses must collect retail sales tax when renting facilities such as meeting rooms or banquet rooms. Refer to WAC 458-20-166.

# CATERERS AND CATERING

Sales of meals and prepared food by caterers are subject to retail sales tax and the retailing B&O tax when sold to consumers. “Caterer” means a person who provides, prepares, and serves meals for immediate consumption at a location selected by the customer. The tax liability is the same whether the meals are prepared at the customer’s site or the caterer’s site. Retail sales tax and retailing B&O tax also apply when caterers prepare and serve meals using ingredients provided by the customer.

Persons performing catering services must collect local tax based on the location where the catering service is performed. If significant services are performed at both the caterer’s and customer’s locations, the local tax applies at the location of the customer.

A caterer may also sell prepared food to persons other than consumers. In such cases, a caterer may accept a properly completed resale certificate and report the amount of the sale under the wholesaling B&O tax classification.

Persons performing catering services must pay retail sales or use tax on the purchase or rental of all items used in the business. The tax applies even if a separate charge is made to the customer for the use of such items. Taxable items include:

- ◆ Plates
- ◆ Silverware
- ◆ Glasses
- ◆ Cooking equipment
- ◆ Linens (cloth napkins and table clothes) and tents
- ◆ Serving, containers, utensils
- ◆ Decorations
- ◆ Rentals

**King County food and beverage (KCFB) tax and catering:** Restaurants located in King County that perform catering services must collect the King County food and beverage tax. However, since the King County food and beverage tax applies only to meals, separate charges made for linens, glassware, etc., are not subject to the KCFB tax.

The KCFB tax does not apply when catering is performed by a business that does not meet the definition of “restaurant” (refer to “Definitions” section) and that has no facilities for preparing food, and that prepares food at the customer’s location.

References: WAC 458-20-124, WAC 458-20-12401, WAC 458-20-119.

# COMBINATION BUSINESSES

A combination business is a business that sells both taxable and nontaxable items at one location. Such businesses must collect sales tax on all sales unless the sales can be properly segregated between taxable and non taxable.

It is sufficient segregation for accounting purposes if cash registers or electronic checking machines are programmed to identify and/or separately tax food products that are taxable.

**Example:** A bakery sells baked goods (baked on the premises) such as bread, pies, cakes, and other pastries as well as prepared sandwiches and salads. The sale of sandwiches and salads are subject to retail sales tax. The sale of bread, pies, cakes, and pastries are exempt from tax when sold by a bakery. Therefore, the bakery is a combination business and if the bakery properly segregates the taxable and nontaxable sales, the bakery need only collect retail sales tax on the sale of prepared sandwiches and salads.

**Example:** A deli sells sandwiches and other meals, non-carbonated bottled beverages, and meats and cheeses wrapped and packaged in a quantity determined by the customer. The sale of meals and sandwiches are subject to retail sales tax. However, the sale of the bottled beverages, meats, and cheeses are exempt from tax if the deli properly segregates between taxable and tax exempt sales.

References: WAC 458-20-124, WAC 458-20-119.



## COVER CHARGES

A cover charge is generally a fee charged to allow guests entry for a specific event or activity. The tax application depends upon the activity for which the charge is made.

In general, if the cover charge is for the privilege of listening to music or watching a pay-per-view show and no dance floor is available, retail sales tax does not apply. The gross amount received is subject to B&O tax under the service and other activities classification.

A cover charge that entitles guests to an opportunity to dance or to participate in a contest, such as karaoke, is subject to retail sales tax and the retailing classification of the B&O tax.

Sales tax may be included in the amount charged as a cover charge if it is properly indicated that tax is included. (Refer to the “Tax Included” section.)

References: WAC 458-20-183, WAC 458-20-107.

# COUPONS, PROMOTIONS, GIFT CERTIFICATES, FREE MEALS

**Discount coupons and two-for-one promotions:** Selling meals on a “two for one” or similar basis is not giving away a free meal, but rather selling meals at a discounted price. The tax applies to the amount that is actually received by the seller. Therefore, both retailing B&O and retail sales taxes should be calculated on the reduced price, the amount actually received by the restaurant.

**Example:** A customer uses a two-for-one coupon to purchase two meals. The selling price of each meal is \$10. Tax applies to \$10, the actual amount charged for the two meals. If extra items are sold, such as beverages, tax applies to the \$10 plus the amount charged for the beverages.

**Gift certificates/gift cards:** Retail sales tax does not apply to the sale of a gift certificate or gift card. Tax applies to the total cost of the meal when the gift certificate or card is redeemed.

**Example:** A restaurant sells a \$25 gift certificate in July. A sale has not really occurred at this time and, therefore, no tax applies. One month later, a customer redeems the certificate on the purchase of a meal costing \$30. Retail sales tax applies to \$30. The restaurant charges the customer \$30.00 plus tax. The amount of the gift certificate is then applied as a cash payment toward the total amount due. The customer pays the difference between \$25 and the total bill.

For information regarding unredeemed or expired gift certificates, refer to the “Unclaimed Property” section.

**Free meals:** Generally, a business is subject to use tax on the retail value of items given away. However, the Department has determined that meals whose basic components are sales/use tax exempt food products are exempt from use tax when given away to non-employees. Therefore, when a restaurant provides a free meal to persons other than employees, use tax does not apply.

Meals provided to employees are presumed to be in exchange for services and are not considered free meals. (Refer to “Employee Meals” section.)

References: WAC 458-20-119, WAC 458-20-124, WAC 458-20-108; ETA 408.08.108.

## EMPLOYEE MEALS

Retail sales tax and the retailing B&O tax apply to meals provided to employees. The tax applies whether individual meals are sold, a flat charge is made, or whether meals are furnished as a part of the compensation for services rendered.

Retail sales tax applies to the “selling price.” Therefore, where a specific and **reasonable** charge is made to the employee, the measure of the tax is the amount charged. A reasonable charge means at least the cost of the ingredients in the meal. Where no specific charge is made, the measure of the tax is the average cost per meal served to each employee, based upon the actual cost of the ingredients of the meal.

Where meals furnished to employees are not recorded as sales, the restaurant may use an estimate to determine the meal count. The estimate must be based on the restaurant’s actual policy regarding employee meals. For example, a restaurant may have a policy that every employee working 5 hours receives a meal.

If the restaurant does not have a written policy or a policy cannot be determined, the tax due shall be presumed to apply according to the following formula for determining meal count:

Those employees working shifts up to five hours, one meal; and  
Employees working shifts of more than five hours, two meals.

Since it is often impractical to collect the retail sales tax from employees on the sale of meals, the employer may, in lieu of collecting such tax from employees, pay the tax directly to the Department of Revenue.

References: RCW 82.04.040; 82.08.010; WAC 458-20-124, WAC 458-20-119.

# GAMES AND GAMBLING

Many restaurants offer entertainment in the form of games, such as pull-tabs, punchboards, pool, and video games. The restaurant may own the games or may receive commissions from the owner for allowing placement of the games or vending machines in the restaurant. Tax applies as follows:

**Commissions** – The amount of commissions received from the placement of vending machines or other games are subject to B&O tax under the service and other activities classification.

**Pull Tabs and Punchboards** – Pull-tab and punchboard games are taxable under the service and other activities B&O tax classification upon all “increases” arising from the conduct of such games. The term “increases” means gross gambling receipts less the monetary value or, in the case of merchandise, the actual cost, of any prizes that are awarded. The actual cost of the merchandise is the amount actually paid by the operator without any markup. In the case of donated merchandise, the operator may deduct the fair market value of the merchandise.

Retail sales tax applies on the purchase of games from suppliers.

**Pool/Darts/Shuffleboard** - Participatory activities such as pool, darts, shuffleboard, and billiards are within the definition of “retail sale.” Therefore, gross receipts from these activities are subject to retail sales tax and the retailing classification of the B&O tax.

**Video Games/Amusement Devices** - Include slot, pinball, and electronic dart machines and those machines or devices which permit the patron to see, hear, or read something of interest. Gross receipts are subject to B&O tax under the service and other activities classification.

**Card Rooms** - Income from operating card rooms is subject to B&O tax under the service and other activities classification.

**Games of Chance** – Pools, dice games, keno, and similar games of chance are taxed under the service and other activities B&O classification on “increases.” The term “increase” refers to amounts over and above the amounts paid out to winners of a game.

**Vending Machines** – Merchandise sold through vending machines such as photographs, toiletries, and cigarettes are subject to retail sales tax. The retailing B&O tax also applies.

The owner of the machine must report and pay the tax. Retail sales tax need not be separately stated from the selling price or collected separately. The seller may determine the measure of the tax by deducting the tax from the total amount received in the machine.

Reference: WAC 458-20-187.

# GRATUITIES

Tips or gratuities received under circumstances that are clearly voluntary are not part of the selling price and, therefore, are not subject to sales tax. However, if the tip or gratuity is added to the bill, such that it is a mandatory charge, the charge becomes part of the selling price subject to tax.

A gratuity **is not** voluntary when the amount is agreed upon and the contract document states that a gratuity “will be added.” For example, a restaurant may have a policy of adding a 15% charge to the bill for groups of five or more customers. When a gratuity is applied in this manner, the entire charge is subject to retail sales tax and the retailing classification of the B&O tax.

**Example:** The total food bill for a group of five is \$100. A mandatory tip of 15% is added on for a total of \$115. Retail sales tax should be calculated on the total of \$115. Assuming an 8% tax rate, the total with tax is \$124.20.

References: WAC 458-20-119, WAC 458-20-124.

## **PIZZA, PREPARED AND DELIVERED OR TAKE / BAKE**

Sales of pizza whether prepared, baked, and delivered, or prepared and sold unbaked are subject to retail sales tax. Such sales in King County are also subject to the King County food and beverage tax.

The sale of prepared pizza delivered to the customer outside the state is not subject to retail sales tax or the retailing B&O tax. Sellers may take an “interstate sale” deduction on the combined excise tax return.

References: WAC 458-20-124, WAC 458-20-12401.

## TAX INCLUDED

Generally, if sales slips, sales invoices, or dinner checks are given to the customer, the sales tax must be separately stated on the sales receipt. If not separately stated, it is presumed that retail sales tax was not collected and the restaurant must report and pay sales tax on the gross receipts of the business.

Restaurants may advertise and/or sell meals, beverages, or other items at prices including sales tax. However, when selling in this manner, the menu and other price information must clearly indicate that sales tax is included in the price.

If tax is included in the price, the amount of tax may be backed out of gross receipts to arrive at the amount subject to tax. For example: a drink is sold for \$5, which includes sales tax. Assuming an 8% rate of tax, the gross amount subject to tax is \$4.63 ( $5.00/1.08$ ).

References: WAC 458-20-107, WAC 458-20-124.

## UNCLAIMED PROPERTY / UNREDEEMED GIFT CERT.

Unclaimed property is money or intangible property held for a period of time with no owner contact. The Washington Unclaimed Property Act protects unclaimed property until it is returned to its rightful owner or heir. The Department of Revenue acts, as custodian for safekeeping of the property until the rightful owner can be located. Once reported to the Department, abandoned property is available for refund to the owner or legal claimant indefinitely.

Washington State law requires businesses and other organizations to review their records each year to determine whether they hold any property that has been unclaimed for a set period of time. Businesses must file an annual report and deliver the property to the state. The length of time property must be abandoned before being turned over to the state varies depending upon the type of property.

The most common types of unclaimed property held by businesses are:

- ◆ unclaimed wages (e.g., wage or payroll checks)
- ◆ gift certificates
- ◆ customer credits
- ◆ uncashed checks

With the exception of unclaimed wages or payroll checks, which are presumed abandoned after one year, most property is presumed abandoned after five years.

Unredeemed gift certificates or gift cards are presumed to be abandoned five years after issue per RCW 63.29.290. The amounts are reportable regardless of whether names or addresses are available. The amount reportable is the value paid by the purchaser. Because of the nature of gift certificates, no service fees may be charged.

Businesses must report unclaimed property they hold by November 1 each year. Unclaimed property forms can be obtained via the Department's web site or by calling (360) 586-2736.

Questions regarding unclaimed property should be directed to Patrick Tate at (360) 753-5531 or write via email to [ucp@dor.wa.gov](mailto:ucp@dor.wa.gov). You may also write to Department of Revenue, Unclaimed Property, P.O. Box 448, Olympia, Washington 98507-0448, or call 1-800-435-2429.

Information regarding unclaimed property, along with various reporting guides, is also available on the Department's web site.

Reference: RCW 63.29.



## OTHER TAXES

### Syrup Tax

The syrup tax is an excise tax on the wholesale sale of syrups in this state. The term “syrup” for purposes of the tax is a concentrated liquid that is added to carbonated water to produce a carbonated beverage. The tax is imposed on each gallon of product sold and applies in addition to all other taxes. However, successive sales of previously taxed syrup are not subject to the tax.

Generally, a wholesaler collects this tax from the buyer (retailer). Wholesalers are required to separately itemize the amount of the tax on the invoice, bill of lading, or other instrument of sale. If a wholesaler does not collect the tax, Corporations Division the retailer must report and pay the tax directly to the Department. This generally is the case when syrup is purchased from a wholesaler located outside of Washington. The tax must be reported on a special line of the Combined Excise Tax Return designated “syrup.”

Reference: WAC 458-20-255.

### Litter Tax

Litter tax is imposed on industries whose products are reasonably related to the litter problem. The rate of the litter tax is .00015 (.015%) The tax applies to manufacturers, wholesalers, and retailers of products falling into the following categories:

- ◆ Food for human or pet consumption
- ◆ Groceries
- ◆ Cigarettes and tobacco products
- ◆ Soft drinks and carbonated waters
- ◆ Beer and other malt beverages
- ◆ Wine
- ◆ Newspapers and magazines
- ◆ Household paper and paper products
- ◆ Glass containers
- ◆ Metal containers
- ◆ Plastic or fiber containers made of synthetic material
- ◆ Cleaning agents
- ◆ Nondrug drugstore sundry products

Although food, groceries, soft drinks, etc., are generally subject to litter tax, the tax does not apply to sales of food and beverages by retailers that are solely for consumption indoors on the seller’s premises. Sales of food or beverages that do not meet these conditions are subject to the litter tax, for example, food items sold “to go.”

References: WAC 458-20-243; ETA 445.04.243.

## OTHER TAXES

### **Personal Property Tax**

Unless specifically exempt, all tangible personal property is subject to the personal property tax. Personal property tax rates are the same as for real property. Personal property includes machinery, equipment, furniture, and supplies of businesses. In general, the characteristic that distinguishes personal property from real property is mobility. Household goods, certain intangibles, and business inventories are specifically exempt from personal property tax. However, if used in a business activity, the tax applies.

Everyone who uses personal property in a business or has taxable personal property must complete a personal property affidavit by April 30 each year. The affidavit must list the taxable personal property located in the county as of 12:00 noon on January 1. The affidavit must include the acquisition cost and year acquired for all taxable property. The assessor uses the affidavit to value personal property for taxes due the following year.

County assessors and treasurers levy and collect the property tax. Every January, county assessors mail personal property affidavits to persons who have previously listed personal property. Businesses that do not receive an affidavit or that have questions regarding paying real and/or personal property taxes should contact their local county treasurer's office. The number is listed in the county government section of the telephone directory.

### **Leasehold Excise Tax**

Persons or businesses that lease or occupy publicly owned real or personal property are subject to leasehold excise tax. The tax applies in lieu of county property tax. Public property is property owned by the federal government, state of Washington, counties, school districts, and other municipal corporations.

The amount subject to tax is generally the amount of rent paid to the lessor. Certain expenses and improvements may also be included in the taxable amount.

Generally, the tax is collected by the public entity leasing property to private lessees, however, lessees of federal property must report directly to the Department of Revenue.

References: For more information regarding leasehold excise tax, contact Kathy Forsberg in the Special Programs division of DOR at (360) 586-5190.

# RECORD KEEPING REQUIREMENTS

All businesses must keep complete and adequate records from which the Department may determine any tax for which the business may be liable. Such records must be preserved for a period of five years.

In general, records are to be kept, preserved, and presented upon request of the Department, which will demonstrate:

The amount of gross receipts and sales from all sources, including barter or exchange transactions.

The amount of all deductions, exemptions, or credits claimed through supporting documentation.

Such records may include general ledgers, sales journals, together with all bills, invoices, cash register tapes, or other documents or original entry supporting the books of account entries. The records should include all federal and state tax returns and reports and all schedules or work papers used in the preparation of tax reports or returns.

## **Suggested records:**

Federal income tax returns  
Washington Combined Excise Tax Returns  
General and subsidiary ledgers  
Sales and/or cash receipts journals  
Sales invoices  
Purchase/cash disbursement journals  
Purchase invoices for assets and expense items  
Financial statements  
Resale certificate for wholesale sales  
Documentation for any exemption claimed or given and any deductions taken  
Records of “to go” sales

Reference: WAC 458-20-254.

# HOW TO PREPARE FOR AN AUDIT

Audits are a routine procedure used to determine whether state excise taxes have been reported and paid correctly. The majority of businesses audited by the Department of Revenue (DOR) are chosen using statistical methods.

The period of time covered by an audit is generally four years plus the current reporting period. An audit by the DOR generally includes a review of the following reported on the Combined Excise Tax Return:

- ◆ Income – verification of proper amounts and classifications reported on the return;
- ◆ Deductions and exemptions – verification of proper amounts, classifications, and documentation; and
- ◆ Purchases – verification of retail sales or use tax paid on capital assets and consumable supplies.

Records generally required during an audit include the following:

- ◆ Washington State Combined Excise Tax Returns and work papers;
- ◆ Federal income tax returns;
- ◆ Summary accounting records – check register, general ledger, sales journal, general journal, cash receipts journal and any other records you use to record income and expenses;
- ◆ Purchase invoices;
- ◆ Depreciation schedule along with purchase invoices for the assets;
- ◆ Resale certificates;
- ◆ Supporting documentation for all deductions and exemptions; and
- ◆ Records of “to go” sales.

## After the Audit

After a review of the business records, the auditor will explain any problems found and adjustments made. If you agree with the audit adjustments, the audit will be processed and a copy of all applicable schedules, laws, and rules are provided to the taxpayer. It generally takes about four to six weeks to receive the final audit copy. If the audit results in additional taxes owed, taxpayers have 30 days from the date the audit is mailed to pay the tax and interest in full. Overpayments or credits are either refunded or credited against the amount due on future returns.

Taxpayers who disagree with the audit findings may request a meeting with the audit supervisor. If agreement cannot be reached at that time, you will be provided with information on audit appeals procedures. You have 30 days from the date the audit report is mailed to appeal the audit.

## OTHER AGENCIES TO CONTACT

When you completed a Master Application, you may have registered your business with the departments of Revenue, Licensing, Labor and Industries, Employment Security, and the Office of the Secretary of State. Several federal, state, and local agencies have specific licensing and reporting requirements which may apply to your business. If you need more information, please contact the appropriate agency listed below.

### Licensing

Certain business activities require special registration or agency authorization. These include selling liquor, cigarettes, and lottery tickets. The Master Application contains general information on special requirements and how to obtain them. You can receive information about the licenses you may need for your business from the Department of Licensing. You may also order a customized licensing packet. The packet includes information on licensing requirements, referrals to related federal, state, and local agencies, application forms tailored to your business type, and the booklet *Operating a Business in Washington State*. The Department of Licensing also registers trade names for sole proprietorships and general partnerships.

Business and Professions  
Department of Licensing  
PO Box 48001  
Olympia WA 98504-8001  
(360) 664-1400  
<http://www.wa.gov/dol>

### Labor and Industries

If you employ one or more persons, you must apply for industrial insurance coverage with the Washington State Department of Labor and Industries. Industrial insurance is not required for business owners, but those who want it can complete an application for employer coverage. To apply for industrial insurance or request more information, please look for the nearest Labor and Industries location in the state government listings of your telephone book.

Employer Services  
Department of Labor and Industries  
PO Box 44140  
Olympia WA 98504-4140  
(360) 902-4817  
<http://www.wa.gov/lni>

## OTHER AGENCIES TO CONTACT (continued)

### Employment Security

If you have any employees, you must also apply for unemployment insurance coverage with the Washington State Department of Employment Security. For the office nearest you, refer to the state government listings in your telephone book.

Status Unit  
Department of Employment Security  
PO Box 9046  
Olympia WA 98507-9046  
(360) 902-9360  
<http://www.wa.gov/esd>

### Secretary of State

Contact the Secretary of State's office to file Articles of Incorporation or a Certificate of Limited Partnership if your business has either type of ownership. The Secretary of State also registers trademarks, as well as trade names for corporations and limited partnerships.

Corporations Division  
Secretary of State  
PO Box 40234  
Olympia WA 98504-0234  
(360) 753-7115  
<http://www.secstate.wa.gov>

### Internal Revenue Service (IRS)

If you pay employment taxes, such as industrial and unemployment insurance, you need to have a Federal Employer Identification Number (FEIN). In some special cases, businesses without employees may be required to obtain a FEIN. The Internal Revenue Service also offers workshops and other taxpayer education services.

IRS contacts:

Business Tax Kit	(800) 829-3676
Information	(800) 829-1040
Forms	(800) 829-3676
Fax-on-demand	(703) 487-4160
Teletax	(800) 829-4477
<a href="http://www.irs.ustreas.gov">http://www.irs.ustreas.gov</a>	

## OTHER AGENCIES TO CONTACT (continued)

### City and County Taxing Offices

If your city or county has business taxes and you are located within the city limits, you will need to register with the city taxing authority, such as the city auditor. Businesses located outside city limits should register with the county taxing authority, such as the county clerk's office. Also, remember to contact your county assessor as soon as your business opens. Businesses are required to report personal property — assets used in the operation of a business — to the assessor. Personal property includes furniture, office equipment, machines, and supplies used in the course of doing business. Check your local telephone directory for the location of these offices.

# TAX EXAMPLE

The Marina Cove Bar & Grill located in Seattle sells meals, beverages (cocktails, beer, wine, and pop), cigarettes and baked goods prepared on the premises (pies, cakes, and pastries). The restaurant charges a mandatory gratuity to parties of five or more and makes a separate charge for the use of the banquet room. On Friday and Saturday nights, the restaurant's lounge has a live band and collects a cover charge at the door. Pull-tabs are sold in the lounge. The restaurant is a combination business and separately accounts for taxable and nontaxable sales.

The restaurant's sales are as follows:

<u>Category</u>	<u>Amount</u>	<u>Classification</u>
1. Meals (10% are "to go")	\$5,500	Retail
2. Beverages	\$2,750	Retail
3. Baked goods	\$1,500	Retail
4. Mandatory gratuities	\$500	Retail
5. Cigarettes	\$300	Retail
6. Cover charges for lounge	\$1,000	Retail
7. Banquet room charge	\$500	Service
8. Pull tab revenue	\$2000	Service
9. Pull tab pay outs	\$650	Service

## Revenues should be reported as follows:

		Category Number from Above
Service & other activities B&O tax	\$2,500	= 7 + 8
Retailing B&O tax	\$11,550	= 1+2+3+4+5+6
Retail sales tax	\$11,550	= 1+2+3+4+5+6
RTA tax	\$10,050	= 1+2+4
KCFB tax	\$8,750	= 1+2+4 *
Litter tax	\$2,350	= ((10% $\times$ 1)+3+5) **

## Deductions:

Service & other activities B&O tax	\$650 (9) Gambling/prize/cash payouts
Retail Sales tax	\$1,500 (3) Exempt food sales ***

(\*) The KCFB tax does not apply to baked goods, cigarettes, or cover charges.

(\*\*) Litter tax applies only to "to go" meals, baked goods, and cigarettes.

(\*\*\*) Retail sales tax, RTA, and KCFB tax does not apply to the sale of the baked goods.





State of Washington  
Department of Revenue  
PO Box 34051  
Seattle, WA 98124-1051

APRIL 2001

04

01

## COMBINED EXCISE TAX RETURN

ONLY Fill in Box if Amended/Supplemental Return Information is Attached

# Sample Tax Return

NAME Marina Cove Bar & Grill REG NO. 600 600 600

FIRM NAME \_\_\_\_\_

STREET ADDRESS \_\_\_\_\_

CITY, STATE, ZIP \_\_\_\_\_

Filing electronically? Only fill in this box ☐ and Total Amount Owed.

Address Changes? business location mailing address both Business closed? Date closed \_\_\_\_/\_\_\_\_/\_\_\_\_ See note 5, page 2.

Please fill in the appropriate box and make address changes to the above label.

### I STATE BUSINESS AND OCCUPATION TAX

Line No.	Tax Classification	Code	Column 1 Gross Amount	Col. 2 Deductions* Totals from Pg. 3 & 4	Column 3 Taxable Amount	Col. 4 Rate	Column 5 Tax Due
1	Extracting, Extracting for Hire	16				.00484	
2	Slaughter, Break Proc, Perish Meat-Whise; Mfg Wheat into Flour; Raw Seafood; Soybean & Canola Proc	30				.00138	
3	Travel Agent Com; Intl Charter Freight Brokers; Stevedoring	28				.00275	
4	Insurance Agents; Insurance Brokers Commis	14				.00484	
5	Manuf Fresh Fruit and Veg; Split or Proc Dried Peas	21				.00138	
6	Processing for Hire; Printing and Publishing	10				.00484	
7	Manufacturing	07				.00484	
8	Royalties; Child Care	80				.00484	
9	Wholesaling	03				.00484	
10	Warehousing; Radio & TV Broadcasting; Public Road Construction; Government Contracting	11				.00484	
11	Public or Nonprofit Hospitals	55				.015	
12	Cleanup of Radioactive Waste for US Gov't; Environmental Remedial Action	83				.00471	
13	Service & Other Activities	04	2,500 00	650 00	1850 00	.015	27 75
14	Retailing of Interstate Transportation Equip	19				.00484	
15	Retailing	02	11550 00	0	11550 00	.00471	54 40
TOTAL B&O TAX							87 15

GROSS AMOUNTS FOR RETAILING AND RETAIL SALES MUST BE THE SAME

\* Deductions taken but not itemized on pages 3 and 4 will be disallowed.

### II STATE SALES AND USE TAX

16	Retail Sales (also complete local tax section III)	01	11550 00	1500 00	10050 00	.065	653 25
17	Use Tax (also complete local tax section III)	05				.065	

TOTAL STATE SALES & USE TAX 653 25

### III LOCAL CITY AND/OR COUNTY SALES AND USE TAX

Local Sales Tax (Enter applicable rate of tax) Code 45				
Total Taxable Amount must be the same as line 16, column 3, Taxable Amount				
Line No.	Location Code	Taxable Amount	Local Rate	Tax Due City or Co.
18	1726	10050 00	.019	190 95
19				
20				
21				
22				
TOTAL TAXABLE		10050 00	TOTAL	190 95

Local Use Tax (Enter applicable rate of tax) Code 46				
Total Value of Articles must be the same as line 17, column 1, Gross Amount				
Line No.	Location Code	Value of Articles	Local Rate	Tax Due City or Co.
23				
24				
25				
TOTAL VALUE OF ARTICLES			TOTAL	

Line No.	Tax Classification	Code	Taxable Amount	Rate	Tax Due
26	Region Transit Authority (RTA)	89	10050 00	.004	40 20
27	King County Food & Bev	90	8750 00	.005	43 75
28	Litter Tax	36	2350 00	.00015	35

MAY 2001						
S	M	T	W	T	F	S
	1	2	3	4	5	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

DUE DATE: MAY 25, 2001

5% Penalty is Due After May 25, 2001  
10% Penalty is Due After July 2, 2001  
20% Penalty is Due After July 31, 2001

If the due date falls on a weekend or legal holiday, the due date is extended to the next business day.

- ▶ Please fill in this box if you had no business activity. (see note 6, page 2)
- ▶ This return must be mailed, unless filed electronically with no tax due.
- ▶ Please make check or money order payable to the Washington State Department of Revenue. Do not send cash or coins.
- ▶ For assistance, call (800) 647-7706.

▶ Signature \_\_\_\_\_

▶ Ph. ( ) \_\_\_\_\_ Date \_\_\_\_\_

Line No.	Item	VIII TOTALS
29	Total All Tax Due from page 1	1010 65
30	Total All Tax Due from page 2	
31	Rental Car Tax (attach Rental Car Tax Addendum)	
32	Subtotal (add lines 29-31)	1010 65
33	Credit (from page 2, section VII, total credit)	
34	Subtotal (subtract line 33 from line 32)	1010 65
35	Penalty ★	Minimum \$5.00
36	Interest	
TOTAL AMOUNT OWED (add lines 34 - 36)		1010 65

#### IV LODGING TAXES

TRANSIENT RENTAL INCOME INFORMATION (enter location code and income only) <span style="float: right;">Code 47</span>							
Line No.	Location Code	Income		Location Code	Income		
37							
38							

CONVENTION AND TRADE CENTER TAX <span style="float: right;">Code 48</span>				
Line No.	Location Code	Taxable Amount	Rate	Tax Due
39				
40				
41				
<b>TOTAL CONVENTION &amp; TRADE CENTER TAX</b>				

SPECIAL HOTEL/MOTEL TAX <span style="float: right;">Code 70</span>				
Line No.	Location Code	Taxable Amount	Rate	Tax Due
42				
43				
44				
<b>TOTAL SPECIAL HOTEL/MOTEL TAX</b>				

#### V STATE PUBLIC UTILITY TAX

Line No.	Tax Classification	Code	Column 1 Gross Amount	Col. 2 Deductions* Totals from Pg. 4	Column 3** Taxable Amount	Col. 4 Rate	Column 5 Tax Due
45	Water Distribution	60				.05029	
46	Sewer Collection	61				.03852	
47	Power	49				.03873	
48	Gas Distribution; Telegraph	26				.03852	
49	Motor Transportation; Railroad; Railroad Car	08				.01926	
50	Urban Transportation; Vessels Under 65 ft	12				.00642	
51	Other Public Service Business	13				.01926	
** If taxable amounts on lines 45-51 column 3 total less than \$2,000, no Public Utility Tax is due.							<b>TOTAL STATE PUBLIC UTILITY TAX</b>

#### VI OTHER TAXES

Line No.	Tax Classification	Code	Column 1 Gross Amount	Col. 2 Deductions* Totals from Pg. 4	Column 3 Taxable Amount	Col. 4 Rate	Column 5 Tax Due
52	Tobacco Products	20				.7490	
53	Refuse Collection	64				.036	
54	Petroleum Tax	57	Temporarily Not Due - Fund Limit Reached				.005
55	Hazardous Substance	65				.007	

\* Deductions taken but not itemized on page 4 will be disallowed.

Line No.	Tax Classification	Code	Item	Quantity Sold	Rate	Tax Due
56	Solid Fuel Burning Device Fee	59	Number of Stoves, Fireplaces, & Solid Fuel Burning Devices:		\$30.00	
57	Syrup Tax	54	Number of Gallons:		\$1.00	
58	State Enhanced 911 Tax	93	Number of Taxable Switched Access Lines:		.20	
<b>TOTAL OTHER TAXES</b> (add lines 52-58)						

#### NOTE:

- If you do not have deductions, *do not return pages 3 and 4.*
- If you have deductions, complete and *return pages 3 and 4.*
- LOCAL CITY AND/OR COUNTY SALES AND USE TAX.** For your convenience, a copy of the Local City and/or County Sales and Use Tax supplemental form is provided in the "Business Tax Guide." If more space is required, you may make copies of this form or attach additional local tax information in the same format.
- For more information about the penalty waiver criteria, please call Tax Express at (800) 334-8969, enter code 429.
- For more information about business closures, please call Tax Express at (800) 334-8969, enter code 430.
- If you would like to file "No Business Activity" by telephone, please call our toll-free number (800) 647-7706 and do not mail return.
- To inquire about the availability of this form in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users may call (800) 451-7985.
- Need Help?** If you need further information, please refer to the, "Business Tax Guide", or call the Department of Revenue office nearest you, or our toll-free number (800) 647-7706. You may also access our Internet home page at <http://dor.wa.gov>.

#### VII CREDITS

Line No.	Credit Classification	Credit I.D.	Amount
59	Multiple Activities Tax Credit (attach Schedule C)	800	
60	High Technology Credit (attach Research & Development Credit Affidavit)	830	
61	Manufacturing Software; Programming Rural Employment B&O Credit	860	
62	Help Desk Services B&O Credit	865	
63	Alternatives to Field Burning B&O Credit	875	
64	International Services Credit	855	
65	Small Business B&O Tax Credit (see table enclosed)	815	
66	Electric Utility Rural Economic Development Revolving Fund Public Utility Tax Credit	870	
67	Bad Debt Tax Credit (attach Schedule B)	801	
68	Hazardous Substance	805	
69	Other Credits (attach appropriate documents)	810	
<b>TOTAL CREDIT (transfer to page 1, line 33)</b>			



## APRIL 2001 DEDUCTION DETAIL

04  
01

- Deductions taken on the Combined Excise Tax Return, but not itemized on this form will be disallowed.
- Report deductions under the heading that corresponds to your reporting activity.
- Transfer the total amount of each deduction from this form to the corresponding tax classification on your return in the deduction column.

***If Completing, Fill out Name, Registration Number and Attach to Combined Excise Tax Return.***



▶ Name \_\_\_\_\_

Line 1 - Extracting, Extracting for Hire	I.D.	Amount
Bad Debts	1601	
Cash & Trade Discounts	1602	
Other (Explain):	1699	
<b>TOTAL</b>		
Line 2 - Slaughter, Break Processing...	I.D.	Amount
Bad Debts	3001	
Cash & Trade Discounts	3002	
Other (Explain):	3099	
<b>TOTAL</b>		
Line 3 - Travel Agent Com; Intl Charter...	I.D.	Amount
Bad Debts	2801	
Cash & Trade Discounts	2802	
Other (Explain):	2899	
<b>TOTAL</b>		
Line 4 - Insurance Agents; Insurance...	I.D.	Amount
Bad Debts	1401	
Other (Explain):	1499	
<b>TOTAL</b>		
Line 5 - Manufacturing Fresh Fruits and...	I.D.	Amount
Bad Debts	2101	
Cash & Trade Discounts	2102	
Freight	2103	
Advances Reimbursements; Rtrns & Allowances	2107	
Other (Explain):	2199	
<b>TOTAL</b>		
Line 6 - Processing for Hire; Printing and...	I.D.	Amount
Bad Debts	1001	
Cash & Trade Discounts	1002	
Freight	1003	
Advances Reimbursements; Rtrns & Allowances	1007	
Other (Explain):	1099	
<b>TOTAL</b>		
Line 7 - Manufacturing	I.D.	Amount
Bad Debts	0701	
Cash & Trade Discounts	0702	
Freight	0703	
Advances Reimbursements; Rtrns & Allowances	0707	
Other (Explain):	0799	
<b>TOTAL</b>		
Line 8 - Royalties; Child Care	I.D.	Amount
Bad Debts	8001	
Cash & Trade Discounts	8002	
Advances Reimbursements; Rtrns & Allowances	8007	
Other (Explain):	8099	
<b>TOTAL</b>		

▶ Registration No. \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Line 9 - Wholesaling	I.D.	Amount
Bad Debts	0301	
Cash & Trade Discounts	0302	
Interstate & Foreign Sales	0304	
Motor Vehicle Fuel Tax	0305	
Casual Sales; Accommodation Sales	0306	
Advances Reimbursements; Rtrns & Allowances	0307	
No Local Activity	0308	
Other (Explain):	0399	
<b>TOTAL</b>		
Line 10 - Warehousing; Radio & TV...	I.D.	Amount
Bad Debts	1101	
Cash & Trade Discounts	1102	
Interstate & Foreign Sales	1104	
Advances Reimbursements; Rtrns & Allowances	1107	
Radio/TV Advertising	1109	
Other (Explain):	1199	
<b>TOTAL</b>		
Line 11 - Public or Nonprofit Hospitals	I.D.	Amount
Bad Debts	5501	
Cash & Trade Discounts	5502	
Advances Reimbursements; Rtrns & Allowances	5507	
Other (Explain):	5599	
<b>TOTAL</b>		
Line 12 - Cleanup of Radioactive Waste...	I.D.	Amount
Bad Debts	8301	
Cash & Trade Discounts	8302	
Interstate & Foreign Sales	8304	
Advances Reimbursements; Rtrns & Allowances	8307	
Other (Explain):	8399	
<b>TOTAL</b>		
Line 13 - Service & Other Activities	I.D.	Amount
Bad Debts	0401	
Cash & Trade Discounts	0402	
Interstate & Foreign Sales	0404	
Advances Reimbursements; Rtrns & Allowances	0407	
Gambling; Prize; Cash Pay-Outs	0410	650 00
Certain Initiation Fees; Dues; Contributions	0411	
Interest on Certain Invest/Loan/Obligations	0412	
Artistic/Cultural Activities	0416	
Other (Explain):	0499	
<b>TOTAL</b>		
Line 14 - Retailing of Interstate Transport...	I.D.	Amount
Bad Debts	1901	
Cash & Trade Discounts	1902	
Interstate & Foreign Sales	1904	
Advances Reimbursements; Rtrns & Allowances	1907	
Consignment Sales	1915	
Artistic/Cultural Activities	1916	
Other (Explain):	1999	
<b>TOTAL</b>		

<b>Line 15 – Retailing (B&amp;O)</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	0201	
Cash & Trade Discounts	0202	
Interstate & Foreign Sales	0204	
Motor Vehicle Fuel Tax	0205	
Advances Reimbursements; Rtrns & Allowances	0207	
No Local Activity	0208	
Casual Sales; Accommodation Sales	0213	
Tax in Gross	0214	
Consignment Sales	0215	
Artistic/Cultural Activities	0216	
Presc. Drugs Sold by Pub. Oper/Nonprofit Hospitals	0217	
Other (Explain):	0299	
<b>TOTAL</b>		


**Not all deductions are allowable from both Retailing (B&O Tax) and Retail Sales Tax.**


<b>Line 16 - Retail Sales Tax</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	0101	
Cash & Trade Discounts	0102	
Interstate & Foreign Sales	0104	
Tax in Gross	0114	
Sales to U.S. Government	0118	
Motor Vehicle Fuel Sales	0119	
Prescription Drugs/Hearing Aids/Lenses/etc	0121	
Exempt Food Sales	0122	1500 00
Qualified Nonresident Sales	0123	
Trade-in Allowance	0124	
Newspapers	0125	
Certain Network Telephone Service	0126	
Sales to Indians with Delivery on the Reservation	0128	
Sales of Feed to Fish Farmers	0129	
Taxable Amount for Tax Paid at Source	0130	
Returns & Allowances	0131	
Sales to Nonprofit Artistic/Cultural Art Objects for Displays	0132	
Ride-Sharing Vans	0134	
Purebred Livestock for Breeding	0135	
Tax Deferral/Investment Certificate No. _____	0136	
Sale of Manufacturing Mach/Equip; Install Labor	0156	
Other (Explain):	0199	
<b>TOTAL</b>		

<b>Line 45 - Water Distribution</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	6001	
Cash & Trade Discounts	6002	
Interstate & Foreign Sales	6004	
Amounts Paid to Another for Services Jointly Provided	6039	
Amounts Received by Nonprofit Water Association for Capital Projects	6040	
Amounts Derived From Distribution of Water Through Irrigation Systems	6041	
Other (Explain):	6099	
<b>TOTAL</b>		

<b>Line 46 - Sewer Collection</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	6101	
Cash & Trade Discounts	6102	
Amounts Paid to Another for Services Jointly Provided	6139	
Other (Explain):	6199	
<b>TOTAL</b>		

<b>Line 47 – Power</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	4901	
Cash & Trade Discounts	4902	
Interstate & Foreign Sales	4904	
Amounts Paid to Another for Services Jointly Provided	4939	
Amounts Expnd. to Improve Consumer Efficiency	4942	
Low Density/Wholesale Power Costs	4947	
Other (Explain):	4999	
<b>TOTAL</b>		

<b>Line 48 - Gas Distribution; Telegraph</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	2601	
Cash & Trade Discounts	2602	
Interstate & Foreign Sales	2604	
Amounts Paid to Another for Services Jointly Provided	2639	
Other (Explain):	2699	
<b>TOTAL</b>		

<b>Line 49 - Motor Transportation; Railroad...</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	0801	
Cash & Trade Discounts	0802	
Interstate & Foreign Sales	0804	
Amounts Paid to Another for Services Jointly Provided	0839	
Other (Explain):	0899	
<b>TOTAL</b>		

<b>Line 50 - Urban Transportation; Vessels...</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	1201	
Cash & Trade Discounts	1202	
Interstate & Foreign Sales	1204	
Amounts Paid to Another for Services Jointly Provided	1239	
Other (Explain):	1299	
<b>TOTAL</b>		

<b>Line 51 - Other Public Service Business</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	1301	
Cash & Trade Discounts	1302	
Interstate & Foreign Sales	1304	
Amounts Paid to Another for Services Jointly Provided	1339	
Other (Explain):	1399	
<b>TOTAL</b>		

<b>Line 52 - Tobacco Products</b>	<b>I.D.</b>	<b>Amount</b>
Interstate & Foreign Sales	2004	
Sales to U.S. Government	2018	
Returned/Destroyed Goods	2043	
Other (Explain):	2099	
<b>TOTAL</b>		

<b>Line 53 - Refuse Collection</b>	<b>I.D.</b>	<b>Amount</b>
Bad Debts	6401	
Sales to U.S. Government	6418	
Sales to Other Refuse/Solid Waste Collectors	6445	
Other (Explain):	6499	
<b>TOTAL</b>		

<b>Line 54 - Petroleum Tax</b>	<b>I.D.</b>	<b>Amount</b>
Petroleum Products Exported Out of State	5746	
Other (Explain):	5799	
<b>TOTAL</b>		

<b>Line 55 - Hazardous Substance</b>	<b>I.D.</b>	<b>Amount</b>
Other (Explain):	6599	
<b>TOTAL</b>		

## DEPARTMENT SERVICES

### GENERAL SERVICES

**Tax Express:** You can get answers to the most common tax questions 24 hours a day, seven days a week by calling the Tax Express prerecorded information system. To access Tax Express, call 1-800-334-8969 from a touch-tone telephone. Then enter the three-digit code which corresponds to the topic that interests you. For a list of topics, dial code 500.

**Fast Fax:** The Department's Fast Fax allows you to have selected forms, publications, and administrative rules transmitted directly to your fax machine. To use the system, dial 1-800-647-7706 or (360) 486-2345.

**Telephone and one-on-one assistance:** Get answers to your tax questions, and assistance in registering your business and completing tax returns by calling or visiting your local Revenue office.

**Copies of publications, laws, and rules:** Please contact your local Revenue office, the Telephone Information Center, or visit our web site at <http://dor.wa.gov>.

**Research statistics:** For copies of research publications, data on tax collections, tax-related statistics on business activity by industry and geographical area, and other statistical information about the state's tax structure, contact the Research Division at (360) 570-6070.

**New Business Outreach (NBO) Workshops:** To sign up for Revenue's workshops covering business registration, reporting, tax laws and rules, and record keeping requirements, contact your local Revenue office or sign up on the web at <http://dor.wa.gov>.

**Voluntary first-year audits:** If you have been in business for at least six months and would like to arrange for a first-year audit to ensure correct reporting and avoid costly mistakes, contact your local Revenue office.

**Speakers Bureau:** To arrange for a Revenue presenter on topics of interest to your organization, contact the Speakers Bureau Coordinator at (360) 486-2111.

**Taxpayer Advocate:** For assistance in understanding and accessing your rights in working with the Department of Revenue, call the Taxpayer Advocate at (360) 486-2340.

## DEPARTMENT SERVICES (continued)

### SPECIFIC TAXES AND PROGRAMS

**Business and occupation tax credit for new employees:** Taxpayer Account Administration Division (360) 902-7175.

**Cigarette tax:** Special Programs Division, Miscellaneous Tax Section (360) 664-0700.

**Corporate withdrawals or dissolutions:** Audit Division (360) 570-5963.

**Electronic Filing (ELF):** Taxpayer Account Administration Division, 1-877-FILE-ELF (1-877-345-3353).

**Electronic Funds Transfer program:** Taxpayer Account Administration Division (360) 902-7170.

**Excise tax refunds:** Taxpayer Account Administration Division (360) 902-7151.

**Excise tax status letters:** Taxpayer Account Administration Division (360) 902-7145.

**Property tax education and advisory services:**

- ◆ County Board of Equalization information and levy calculations (360) 570-5864.
- ◆ County revaluation (360) 570-5862.
- ◆ Taxing districts and code area boundaries and maps (360) 570-5894.

**Property tax general information:** To request copies of property tax publications or for other general information, call (360) 570-5900. For information regarding a specific property tax assessment, please contact your local county assessor.

**Rule hearings:** For information on proposed rule changes and Excise Tax Advisories, contact the Legislation and Policy Division at (360) 570-6119.

**Sales tax deferrals:** Special Programs Division (360) 753-1191.

**State and local retail sales tax:** Contact your Local Revenue office or the Telephone Information Center at 1-800-647-7706.

**Tax appeal questions:** Appeals Division (360) 570-6140.

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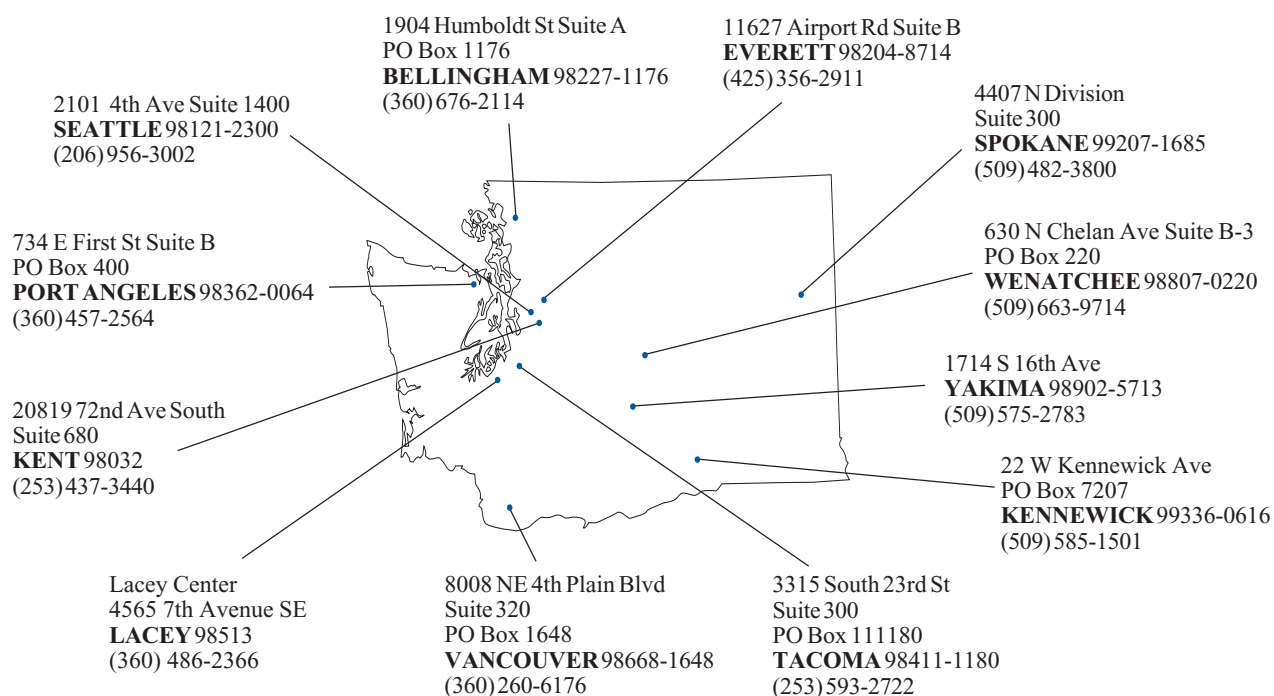
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# Department of Revenue Taxpayer Assistance

1-800-647-7706

## FIELD OFFICE LOCATIONS



<http://dor.wa.gov>

*To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.*



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